OLR Bill Analysis

sSB 1138

AN ACT CONCERNING CONNECTICUT'S CLEAN ENERGY GOALS.

SUMMARY:

This bill modifies the renewable portfolio standard (RPS), which requires electric companies and competitive suppliers to get part of their power from renewable resources. Among other things, it:

1. expands the types of hydropower and biogas resources that count as Class I resources used to meet the RPS,
2. imposes additional environmental conditions on biomass facilities in order to qualify for this class,
3. creates a new class that includes certain large-scale hydropower resources,
4. allows these new resources to meet part of the current RPS requirements starting in 2014, and
5. adds additional steps in the RPS requirements starting in 2021.

The bill also allows the Department of Energy and Environmental Protection (DEEP) commissioner to solicit proposals from renewable generators and direct the electric companies to enter into agreements with them, subject to review and approval by the Public Utilities Regulatory Authority (PURA).

EFFECTIVE DATE: Upon passage for the solicitation provisions, July 1, 2013 for the remaining provisions.

WHAT COUNTS AS A RENEWABLE

Under the RPS, electric companies must obtain part of their power from Class I resources, such as wind and solar power; part from either

Class I or Class II resources (e.g., power from resource recovery facilities); and part from Class III resources (e.g., power from cogeneration facilities or savings from certain energy conservation programs).

Hydropower

The bill expands the scope of Class I resources with regard to hydropower facilities. To be eligible under current law, a facility can have a capacity of up to 5 megawatts (MW) and may not cause an appreciable change in the river flow. The bill increases this limit to 30 MW. It also counts, as a Class I resource, the increase in generation capacity of a run-of-the-river hydropower facility that has a total capacity of up to 30 MW, if the increase occurred on or after July 1, 2003.

Biomass

The bill tightens emission standards for power from sustainable biomass facilities to count as Class I resources. Under current law, to qualify as Class I, a facility must use sustainable biomass fuel and have an average nitrogen oxide emission rate of no more than .075 pounds of nitrogen oxides per million British thermal units (BTU). Starting January 1, 2016, the bill requires that such facilities have an average (1) nitrogen oxide emission rate of no more than .07 pounds of nitrogen oxides per million BTU of heat input on a 24-hour basis and (2) combined particulate emission rate of no more than .038 pounds per million BTU.

Also starting on January 1, 2016, the bill requires that such resources buy allowances through the Regional Greenhouse Gas Initiative (RGGI) or other mechanism prescribed by the DEEP commissioner and implemented by PURA to offset emissions from the fuel's transportation to the facility.

Current law's emissions restriction does not apply to facilities with a capacity under 0.5 MW that began construction before July 1, 2003. The bill exempts these facilities from its emission and RGGI allowances provisions.

The bill also narrows the types of facilities where certain types of biomass can be used to produce power that counts as a Class I resource. By law, certain types of biomass, such as construction and demolition waste and finished products from sawmills generally do not count as sustainable biomass, and the power they produce does not count as a Class I resource. But, under current law, these types of biomass can be used in four types of facilities:

1. those that received funding from the Clean Energy Fund before May 1, 2006;

2. those that have long-term contracts with electric companies under the Project 150 program;

3. facilities that meet specified requirements, until the plants identified in category 1 go into operation;

4. if no facilities in categories 1 or 3 are accepting such biomass, other facilities that meet different criteria.

The bill eliminates the second two exceptions, limiting the eligibility to use biomass such as construction and demolition wood to facilities in the first two categories. By law, biomass facilities that do not meet the Class I criteria, but meet other criteria, are considered Class II resources.

New Class 1A

The bill establishes a new type of renewable energy under the RPS called Class IA. This is any Class I resource or hydropower facility that (1) began operation on or after January 1, 2003 and (2) is located in the area eligible to participate in New England's market for renewable energy credits (which are used to comply with the RPS) or an area abutting the northern boundary of this area that is not connected with any other control area (electric region) that is not a part of this area. It appears that this provision would allow electricity from large-scale hydropower resources in eastern Canada to qualify as Class 1A resources.

Under the bill, the hydropower resources in this class cannot be used to comply with the Class I RPS requirements. Nor can they trade in the New England renewable energy credit market.

Other Class I Provisions

The bill makes electricity from geothermal resources a Class I resource. By law, methane gas from landfills is a Class I; the bill additionally includes other biogas derived from biological processes, such as anaerobic digestion.

Starting January 1, 2014, the bill makes electrical generation from Class I resources ineligible to count towards Connecticut RPS if a load-serving entity (e.g., an electric company), province, or state claims or counts it to comply with another state's RPS or renewable energy goals. Most of the states in the northeast have an RPS; Vermont has renewable energy goals.

Class III

The bill limits the types of resources that count as Class III. Under current law, these resources are the (1) energy produced by certain cogeneration or waste heat recovery facilities and (2) electric savings produced by conservation programs that began on or after January 1, 2006. Starting January 1, 2014, the bill restricts eligibility to those resources that have not received support from ratepayers or the proceeds of the RGGI cap and trade program for electric generators in the northeast.

RPS REQUIREMENT

Starting in 2014, the bill allows an electric company or supplier to meet part of the Class I requirement by using Class IA resources. It also adds steps in the RPS requirements each year from 2021 through 2025, as shown in Table I. By law, electric companies and competitive suppliers must also get 3% of their power from Class I or Class II resources and 4% of their requirements from Class III resources.

Table 1: RPS Requirements

Year	Current Class I Requirement (%)	Bill's Class I Requirement (%)	Percentage that Can Come from Class 1A under the Bill
2014	11	11	2
2015	12.5	12.5	3
2016	14	14	3
2017	15.5	15.5	3
2018	17	17	3.5
2019	19.5	19.5	4
2020	20	20	4.5
2021	20	21	5
2022	20	22	5.5
2023	20	23	6
2024	20	24	6.5
2025	20	25	7.5

PURCHASES

Starting March 31, 2013, the bill allows the DEEP commissioner to solicit proposals from providers of Class I renewable energy sources built on or after the solicitation date. He must do this in conjunction with the state official who procures power for the standard service that electric companies provide to customers who have not chosen competitive suppliers. He may do this in coordination with other New England states.

If the commissioner finds the proposals are (1) in ratepayers' interest and (2) consistent with the policy goals outlined in the Comprehensive Energy Strategy and state energy policy, he may direct the electric companies to enter into agreements for up to 20 years with the providers. The agreements must be for energy, capacity, and environmental attributes (e.g., the renewable energy credits used to comply with the RPS), or any combination of them, for up to 150 MW of electricity generated by Class I renewable energy sources. These products are to be obtained on behalf of all electric company customers to comply with all or part of the companies' and electric suppliers' RPS obligations. The bill does not specify how the purchased products would be allocated among the electric companies and suppliers.

The agreements are subject to PURA review and approval. A review must start when an agreement is filed with PURA. If PURA does not issue a decision within 30 days, the agreement is deemed approved. The costs of the agreements must be recovered through a fully reconciling component of electric rates for all of the electric companies' customers. These costs must include reasonable costs incurred by electric companies under this provision.

The bill also allows the commissioner, starting July 1, 2013, in conjunction with the procurement official, to solicit proposals from providers of Class I or Class IA renewable energy sources. If the commissioner finds the proposals to be in ratepayers' interest, he may direct the electric companies to enter into agreements for energy, capacity and environmental attributes, or any combination of them, for periods of no more than 20 years. In this case, ratepayers' interests include the delivered price of such sources, state energy policy goals, peak load shaving, and promotion of wind, solar and other renewable energy technologies. Again, the products must be purchased on behalf of all customers of electric companies to comply with all or part of the RPS obligations of the companies and suppliers.

PURA must review any agreement within 60 days after receiving it. The costs of the agreements must be recovered through a fully reconciling component of electric rates for all electric company customers. These costs must include the reasonable costs incurred by the electric companies under this provision.

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable Substitute
Yea 16 Nay 8 (03/21/2013)